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Pelosi Backs Off Set Rates for Public Option

By [ROBERT PEAR](#)

WASHINGTON — Under pressure from moderate-to-conservative members of the House Democratic caucus, Speaker [Nancy Pelosi](#) has decided to propose a [government-run insurance plan](#) that would negotiate rates with doctors and [hospitals](#), rather than using prices set by the government, aides said Wednesday.

Ms. Pelosi said the public plan, which she prefers to call a “consumer option,” would compete with private insurers. But the speaker was apparently unable to muster the votes needed for the “robust” liberal version of a public plan, which she has repeatedly said would save more money for consumers and the government.

Members of the House Democratic leadership team offered these details of their bill, to be unveiled on Thursday. It would provide coverage to 35 million or 36 million people. The 10-year cost of expanding coverage would be less than the \$900 billion ceiling suggested by [President Obama](#). The cost would be offset by new taxes and by cutbacks in [Medicare](#), so the bill would not increase the [federal budget](#) deficit in the next 10 years or in the decade after that.

The new bill, like an earlier version, retains a surtax on high-income people, but increases the thresholds. The tax would hit married couples with adjusted gross incomes exceeding \$1 million a year and individuals over \$500,000 — just three-tenths of 1 percent of all households, Democrats said.

Ms. Pelosi can describe the proposal as a “millionaires’ tax.” The original thresholds were \$280,000 for individuals and \$350,000 for couples.

The government insurance plan would negotiate rates with doctors and hospitals, as private insurers do.

Payments would not be based on Medicare rates, as Ms. Pelosi had wanted. Democrats from rural areas balked at the use of Medicare rates, saying they were so low that hospitals could not survive on them.

House Democratic leaders will hold a rally at the Capitol on Thursday to promote the legislation. They hope to take it to the House floor next week, with a final vote before [Veterans Day](#), Nov. 11.

Scores of lobbyists were “cordially invited” to attend the rally in e-mail messages sent Wednesday by Ms. Pelosi. The Senate majority leader, Harry Reid, Democrat of Nevada, announced Monday that he too had decided to include a government plan, with negotiated rates, in the bill he intends to take to the Senate floor for weeks of debate.

House Democrats do not have firm commitments from enough lawmakers to guarantee passage of their bill at the moment. But their aggressive schedule suggests they are confident they can round up the votes they need.

Speaker Pelosi evidently fell well short of the votes needed for the “robust” public option.

A whip count, prepared Tuesday, shows that 47 House Democrats opposed that approach while 8 more were “leaning no.” That suggests that Ms. Pelosi had lined up, at most, 201 votes of the 218 she would probably need. Ms. Pelosi’s difficulties in securing votes for the most liberal version of a government insurance plan were illustrated by four members of her caucus.

Representative Ike Skelton, Democrat of Missouri, who faces a serious re-election challenge next year, said: “[Health insurance](#) reform must not include a public option. While access to health insurance ought to be expanded to reduce costs for everyone, the public option could have the unintended consequence of forcing private health insurance providers out of business.”

Another moderate Democrat, Representative Jim Matheson of Utah, said there were better ways to foster competition. He prefers nonprofit member-run cooperatives, rather than a government plan.

Representatives Kathy Dahlkemper, of western Pennsylvania, and Steve Kagen, from the Green Bay area of Wisconsin, support a public option, but believe the government plan should negotiate rates with health care providers. Aides to the two Democratic lawmakers said Medicare rates in their districts were inadequate.

The new House bill would also impose annual fees on manufacturers of medical devices like heart pacemakers and artificial hips. The fees — in effect, excise taxes — would total \$20 billion over 10 years.

House Democrats borrowed this idea from the Senate. Under a bill approved this month by the Senate Finance Committee, the government would try to collect \$40 billion in fees over 10 years from makers of medical devices.

The new House bill would expand [Medicaid](#) to cover childless adults, parents and others with incomes less than 150 percent of the poverty level, or \$33,075 for a family of four. This goes beyond the earlier House bill and a companion measure in the Senate, which would extend Medicaid to people with incomes less than 133 percent of the poverty level (\$29,327 for a family of four).

This change saves money. It is less expensive for the federal government to cover low-income people under Medicaid than to provide them with subsidies to buy private insurance.

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